

ORIGINAL

NEW APPLICATION



BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

COMMISSIONERS

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GARY PIERCE

AZ CORP COMMISSION  
DOCKET CONTROL

JAN 25 2008

DOCKETED BY

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In the matter of:

SCOTT HUTCHINSON and JANE DOE  
HUTCHINSON, husband and wife, individually  
and doing business as MARINE 3

Respondents.

DOCKET NO. S-20575A-08-0046

NOTICE OF OPPORTUNITY FOR  
HEARING REGARDING PROPOSED  
ORDER TO CEASE AND DESIST, FOR  
RESTITUTION, FOR ADMINISTRATIVE  
PENALTIES, AND FOR OTHER  
AFFIRMATIVE ACTION

**NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING**

**EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER**

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondent Scott Hutchinson has engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act").

**I. JURISDICTION**

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

**II. RESPONDENT**

2. Respondent Scott Hutchinson ("HUTCHINSON") was at all times material hereto a resident of Arizona. At all times material hereto, HUTCHINSON was not registered as a securities salesperson or an investment advisor representative in Arizona.

3. Upon information and belief, HUTCHINSON now resides in Louisiana.

1           4.     JANE DOE HUTCHINSON was at all relevant times the spouse of HUTCHINSON  
2 and may be referred to as "Respondent Spouse". Respondent Spouse is joined in this action under  
3 A.R.S. § 44-2031(C) solely for purposes of determining the liability of the marital community.

4           5.     At all times relevant, HUTCHINSON was acting for his own benefit and for the  
5 benefit or in furtherance of his and Respondent Spouse's marital community.

### 6                                   **III. FACTS**

7           6.     Since at least July 25, 2005, HUTCHINSON has been directly or indirectly engaged  
8 in the offer and sale of securities to at least one Arizona resident in the form of stock in a company  
9 represented as "Marine 3."

10          7.     HUTCHINSON informed at least one Arizona investor that Marine 3 was a startup  
11 company that would be merging with another company, Dream Marketing, with both companies  
12 then going public by December 2005.

13          8.     Utilizing a laptop computer in addition to printed material, HUTCHINSON showed  
14 at least one investor brochures and other documentation related to Marine 3.

15          9.     At least one Arizona investor was issued a stock certificate for shares of stock in  
16 Marine 3 in exchange for their investment.

17          10.    HUTCHINSON did not disclose, and the stock certificates do not indicate, the cost  
18 per share for the Marine 3 stock.

19          11.    HUTCHINSON represented that there was no risk in the investment and that the  
20 value of the stock would triple after Marine 3 went public.

21          12.    HUTCHINSON did not provide financial statements for Marine 3 or Dream  
22 Marketing.

23          13.    In at least one instance, HUTCHINSON requested a prospective investor to write  
24 seven checks payable to HUTCHINSON in the amount of \$5,000 each for a total of \$35,000.

1           14.     When questioned as to why the checks needed to be issued in increments of \$5,000,  
2 HUTCHINSON represented that an individual ("Chris") involved with the company (Marine 3) had  
3 requested that investments be handled in that manner.

4           15.     HUTCHINSON failed to inform the investor that he intended to proceed to the bank  
5 on multiple occasions in the eight days following receipt of the seven checks for the purpose of  
6 cashing the checks totaling \$35,000.

7           16.     In an apparent attempt to entice at least one investor to invest, HUTCHINSON  
8 promised the investor employment as an accountant as well as a position on the board of directors  
9 of Marine 3 after the company went public.

10          17.     When questioned about the delay in Marine 3 going public, HUTCHINSON  
11 represented that the delay was a result of a change in securities regulations.

12                   **IV. VIOLATION OF A.R.S. § 44-1841**

13                   **(Offer or Sale of Unregistered Securities)**

14          18.     From on or about July 2005, HUTCHINSON offered or sold securities in the form  
15 of stock, within or from Arizona.

16          19.     The securities referred to above were not registered pursuant to Articles 6 or 7 of the  
17 Securities Act.

18          20.     This conduct violates A.R.S. § 44-1841.

19                   **V. VIOLATION OF A.R.S. § 44-1842**

20                   **(Transactions by Unregistered Dealers or Salesmen)**

21          21.     HUTCHINSON offered or sold securities within or from Arizona while not  
22 registered as a dealer or salesman pursuant to Article 9 of the Securities Act.

23          22.     This conduct violates A.R.S. § 44-1842.

**VI. VIOLATION OF A.R.S. § 44-1991****(Fraud in Connection with the Offer or Sale of Securities)**

23. In connection with the offer or sale of securities within or from Arizona, HUTCHINSON directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. HUTCHINSON's conduct includes, but is not limited to, the following:

- a) Failing to disclose to at least one investor any financial statements or other salient financial and/or background information about Marine 3 or Dream Marketing;
- b) Failing to inform at least one investor that he had not invested their funds with Marine 3;
- c) Failing to disclose to at least one investor any risks associated with the alleged investment in Marine 3;
- d) Misrepresenting to at least one investor that they would make substantial profits by investing in the alleged investments;
- e) Misrepresenting the reason related to why Marine 3 had not gone public.

24. This conduct violates A.R.S. § 44-1991.

**VII. REQUESTED RELIEF**

The Division requests that the Commission grant the following relief:

1. Order HUTCHINSON to permanently cease and desist from violating the Securities Act, pursuant to A.R.S. § 44-2032;

2. Order HUTCHINSON to take affirmative action to correct the conditions resulting from Respondent's acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

3. Order HUTCHINSON to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

4. Order that the marital community of HUTCHINSON and Respondent Spouse be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action pursuant to A.R.S. § 25-215; and

5. Order any other relief that the Commission deems appropriate.

#### **VIII. HEARING OPPORTUNITY**

Each respondent, including Respondent Spouse, may request a hearing pursuant to A.R.S. § 44-1972 and A.A.C. R14-4-306. **If Respondent or Respondent Spouse requests a hearing, the requesting respondent must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. If a request for a hearing is not timely made the Commission may, without a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for Hearing.

1 Persons with a disability may request a reasonable accommodation such as a sign language  
2 interpreter, as well as request this document in an alternative format, by contacting Linda Hogan,  
3 ADA Coordinator, voice phone number 602/542-3931, e-mail [lhogan@azcc.gov](mailto:lhogan@azcc.gov). Requests should  
4 be made as early as possible to allow time to arrange the accommodation.

5 **IX. ANSWER REQUIREMENT**

6 Pursuant to A.A.C. R14-4-305, if Respondent or Respondent Spouse requests a hearing, the  
7 requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing to  
8 Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona  
9 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be  
10 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site  
11 at <http://www.azcc.gov/divisions/hearings/docket.asp>.

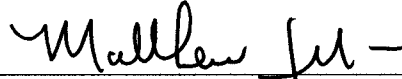
12 Additionally, the answering respondent must serve the Answer upon the Division.  
13 Pursuant to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-  
14 delivering a copy of the Answer to the Division at 1300 West Washington, 3<sup>rd</sup> Floor, Phoenix,  
15 Arizona, 85007, addressed to William W. Black.

16 The Answer shall contain an admission or denial of each allegation in this Notice and the  
17 original signature of the answering respondent or respondent's attorney. A statement of a lack of  
18 sufficient knowledge or information shall be considered a denial of an allegation. An allegation  
19 not denied shall be considered admitted.

20 When the answering respondent intends in good faith to deny only a part or a qualification  
21 of an allegation, the respondent shall specify that part or qualification of the allegation and shall  
22 admit the remainder. Respondent waives any affirmative defense not raised in the answer.

1 The officer presiding over the hearing may grant relief from the requirement to file an  
2 Answer for good cause shown.

3 Dated this 25 day of January, 2008.

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6 Matthew J. Neubert  
7 Director of Securities  
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